

WATER SUPPLY AGREEMENT

THIS WATER SUPPLY AGREEMENT (this "Agreement"), made and entered into this 19th day of September, 2001, by and between Consumers Illinois Water Company ("CIWC"), an Illinois corporation with offices located at 1000 S. Schuyler Avenue, Kankakee, Illinois 60901; and Large Scale Distributed Generation II Statutory Trust ("Purchaser"), a Connecticut statutory trust c/o PPL Large Scale Distributed Generation II, LLC ("PPL") with offices located at 11350 Random Hills Road, Fairfax, Virginia 22030 (collectively the "Parties").

WITNESSETH:

WHEREAS, Purchaser plans to construct, equip and operate an approximately 530 megawatt power generating station (the "Project") in University Park, Will County, Illinois, which will require significant quantities of potable water for process, cooling, fire protection and potable uses, among others; and

WHEREAS, Purchaser estimates that the Project will need as much as 1.152 million gallons of water per day ("mgd") for start-up, performance testing and operations (the "Project Operations Water"); and

WHEREAS, CIWC is capable and willing to cause the improvements described in Exhibit A attached hereto (the "CIWC Facilities") to be made to CIWC's water system which when constructed and completed will enable CIWC to deliver and sell to Purchaser up to 1.152 mgd of Project Operations Water per day subject to the terms, conditions and limitations of this Agreement; and

WHEREAS, Purchaser is willing to pay for a portion of the cost of the design, construction, start-up and completion of the CIWC Facilities, subject to the terms and conditions of this Agreement; and

WHEREAS, Purchaser desires to purchase Project Operations Water from CIWC to meet the water requirements of the Project based upon the rate schedule of CIWC then in effect; and

WHEREAS, CIWC is willing to provide Project Operations Water to Purchaser in accordance with the rates, terms and conditions set forth herein; and

WHEREAS, Purchaser is willing to enter into a long-term contract with CIWC, and agrees to purchase Project Operations Water exclusively from CIWC for the Project (except as otherwise expressly provided herein), during the term of this Agreement, subject to the terms, conditions and limitations of this Agreement.

NOW, THEREFORE, in consideration of the premises and agreements set forth herein, the receipt and sufficiency of which is hereby acknowledged, the Parties mutually agree as follows:

1. **Effective Date.** This Agreement shall be effective as of the date set forth in the introductory paragraph hereof ("Effective Date"); provided, however, that the continuing effectiveness of this Agreement is subject to receipt in accordance with Section 6 hereof of an approval of this Agreement by the Illinois Commerce Commission ("ICC").

2. **Term of Agreement.** The term of this Agreement shall commence on the Effective Date and end twenty (20) years after the Effective Date, unless terminated earlier in accordance with the provisions of this Agreement. Purchaser, in its sole discretion, may extend this Agreement for four (4) additional periods of five (5) years each following the initial term; provided that Purchaser provides notice thereof to CIWC no less than one year prior to the end of the initial term and each five-year renewal term, respectively. By mutual agreement, the Parties may elect to extend this Agreement for one or more additional five-year terms.

3. **Obligations of CIWC.** Subject to the terms, conditions and limitations of this Agreement, CIWC's obligations hereunder include the following:

(a) On or prior to September 24, 2001, CIWC will file this Agreement with the ICC and take such steps as are reasonable and appropriate to request ICC approval of this Agreement. CIWC will promptly provide Purchaser with a copy and evidence of such filing;

(b) After the Operations Commencement Date (as defined below), CIWC will, subject to the provisions of Section 12, provide Project Operations Water quality that complies with all applicable federal and state primary drinking water requirements or which, in Purchaser's reasonable judgment, is usable in the Project's operation. Purchaser's obligation to accept Project Operations Water shall be determined in accordance with Section 7(d);

(c) Subject to the provisions of Section 12, CIWC will complete installation, construction and appropriate initial testing of such portions of the CIWC Facilities, including a CIWC water meter or meters ("Project Operations Water Meter(s)"), along with a water service pipeline and associated valves and equipment, as are necessary to provide Project Operations Water at the rates of flow specified in subsection 3(e) of this Section on the date specified in subsection 3(e) for each rate of flow, or at such later date as is established in accordance with this subsection or subsection 3(e) or as may be mutually agreed upon by the Parties consistent with the provisions of Section 4(d) herein. At CIWC's option, each date specified in subsection 3(e) may be extended by the number of days by which Purchaser is late in paying any amount due and payable under Section 5; the number of days permitted by Section 12 in the event of a Force Majeure; the number of days by which Purchaser's approval of additional engineering costs under Section 5(a) is delayed beyond the date such approval is required plus the number of days required for resumption of such engineering services as a result of the delay in approval, as reasonably determined by CIWC; and/or the number of days subsequent to December 31, 2001, that elapse prior to receipt of ICC approval of the Agreement. The date of final completion of the CIWC Facilities shall be called the "Operations Commencement Date." CIWC shall provide to Purchaser a certification that the CIWC Facilities are complete, which certification will identify the Operations Commencement Date;

(d) CIWC shall, subject to the provisions of Sections 9 and 12, provide a normal delivery pressure of 40 (or greater) pounds per square inch gauge to the Point of Delivery;

(e) As of the date specified in this subsection (or as such date may be extended in accordance with the terms hereof), CIWC shall, subject to the provisions of Sections 9 and 12, maintain the capacity needed to provide Project Operations Water and shall provide Project Operations Water at the Point of Delivery at a maximum gallons per minute ("gpm") rate of flow of:

- (i) 100 gpm on and after the Effective Date;
- (ii) 400 gpm on and after June 1, 2002; and
- (iii) 800 gpm on and after July 1, 2002.

Each date specified in this subsection may be extended, at CIWC's option, by the number of days' extension permitted under the terms of Section 3(c);

(f) During the term of this Agreement, to the extent that there is any interruption, reduction or fluctuation in CIWC's supply of Project Operations Water, the Parties shall have the rights and obligations described in Section 9;

(g) While the CIWC Facilities are under construction, CIWC will provide monthly updates to Purchaser detailing the progress of design, permitting and construction of the CIWC Facilities. CIWC will periodically meet with Purchaser at least once per quarter to review relevant plans and documents, and more frequently upon reasonable request by Purchaser;

(h) CIWC will use reasonable efforts to maintain the CIWC Facilities in good working order;

(i) CIWC will use reasonable efforts to comply with all applicable laws, rules and regulations relating to the Project; and the supply of Project Operations Water hereunder;

(j) CIWC shall maintain insurance with respect to its water supply facilities and the CIWC Facilities in the types and in the amounts that are customarily maintained by parties operating similar facilities, including, without limitation, commercial general liability coverage and property insurance; and

(k) In the event that the CIWC Facilities or other water supply facilities needed to provide Project Operations Water hereunder experience casualty or other damage, CIWC will repair or replace such facilities or take such other action determined by CIWC as is appropriate to provide Project Operations Water.

4. Obligations of Purchaser. Subject to the terms, conditions and limitations of this Agreement, Purchaser's obligations hereunder include the following:

(a) Purchaser will make timely payments to CIWC in accordance with Sections 5 and 7 hereof;

(b) Purchaser will restrict its usage of Project Operations Water to a maximum instantaneous rate of flow at or below the applicable levels specified in Section 3(e), as determined from the Project Operations Water Meter(s), unless specific advance authorization is provided by CIWC to exceed such limit. In the event that usage of Project Operations Water exceeds the specified instantaneous rate of flow level, the parties shall meet to determine the accuracy of the Project Operations Water Meter(s) and to determine if the exceedance is the result of extraordinary circumstances or normal operations, and what, if any, corrective action by Purchaser is necessary. In addition to exercising such other rights that CIWC may have under this Agreement, CIWC reserves the unilateral right to absolutely limit or restrict (with appropriate consideration for extraordinary flow requirements in the event of a fire at the Project) the Project's intake of Project Operations Water to the instantaneous rate of flow level specified Section 3(e), without the need for further meetings or determinations;

(c) Except for emergency situations, Purchaser shall at no time increase or decrease its usage of Project Operations Water at a rate which exceeds 200 gpm per minute. The Parties shall cooperate in good faith to establish communications and operating procedures, and Purchaser agrees to provide CIWC with quarterly projections of estimated Project Operations Water use. Purchaser and CIWC agree to meet periodically during Project construction and operations to establish formal guidelines for these matters, including day-to-day communications regarding expected water demands, and to update such guidelines as necessary, on a continuing basis;

(d) During construction of the Project, Purchaser will provide monthly updates to CIWC, detailing the progress of construction of the Project and, if the Project experiences a definitive delay of the date when it expects to begin needing Project Operations Water, Purchaser shall provide reasonable notice to CIWC and work with CIWC to reasonably establish an alternative date for the final completion of the CIWC Facilities consistent with the needs of the Project;

(e) During the term of this Agreement and during the period that water service is available from CIWC that either: (i) complies with all applicable federal and state primary drinking water requirements and meets the peak rate of flow requirements set forth in Section 3(e); or (ii) in Purchaser's reasonable judgment, is usable in the Project's operations and meets Purchaser's flow requirements (within the maximum rates of flow set forth in Section 3(e)), Purchaser shall use CIWC as its sole source of Project Operations Water for the Project. CIWC shall work with Purchaser to attempt to address Purchaser's increased requirements and needs for Project Water in addition to the Project Operations Water arising from planned future expansion of the Project (the "Additional Water"). Purchaser shall provide CIWC with reasonable prior written notice (in no event less than 90 days prior to expansion) of any major expansion involving the addition of new generating units. Upon receipt of a sufficiently detailed request for proposal from Purchaser for the supply of a specified Additional Water capacity, CIWC shall have sixty (60) days in which to provide a written proposal setting forth the material terms, conditions and charges of supplying such Additional Water capacity. Notwithstanding the foregoing sentence, to the extent Purchaser requires at any time water for the Project at a rate of flow greater than that which is supplied under this Agreement, Purchaser may, in accordance with applicable law and administrative regulations, obtain such additional water from a source(s) other than CIWC;

(f) Purchaser will maintain insurance with respect to the Project in the types and in the amounts that are customarily maintained by parties operating similar facilities, including, without limitation, commercial general liability coverage and "all risk" property insurance; and

(g) During the term of this Agreement, upon request by CIWC, and at no charge to CIWC, Purchaser will grant to CIWC, within sixty (60) days of receipt of CIWC's request, the easement(s) identified on Exhibit B, which is attached hereto.

5. Financial Obligations of Purchaser. CIWC Regulatory Costs and Facilities:

(a) Within ten (10) business days of the Effective Date, Purchaser shall deliver to CIWC the sum of \$150,000 in recognition of CIWC's legal, engineering and administrative costs related to negotiation of this Agreement, and regulatory costs related to obtaining approval of this Agreement by the ICC, which amount shall be nonrefundable to Purchaser and shall not be credited toward any costs or other charges due under this Agreement;

(b) Commencing on the Effective Date, Purchaser agrees to reimburse CIWC for CIWC's engineering costs (billed on a time and materials basis) related to the design of the CIWC Facilities, up to \$150,000. CIWC shall bill Purchaser monthly for such costs, and the bills shall contain adequate detail to reflect the actual costs. CIWC will notify Purchaser when the actual engineering costs have reached \$140,000. At that time, Purchaser shall have the option to approve an amount of additional engineering costs of up to \$150,000 (above the first \$150,000 of such costs) or, until this agreement is approved by the ICC, disapprove such additional costs; provided, however, that (prior to or after approval of this Agreement by the ICC) the number of days which elapse between the date which is three (3) business days after Purchaser's receipt of notice from CIWC that engineering costs have reached \$140,000 and the date of Purchaser's approval plus the number of days required for resumption of engineering services after Purchaser's approval is received (as reasonably determined by CIWC) shall be added to each date specified in subsection 3(e). After approval of this Agreement by the ICC, Purchaser shall have no right to disapprove a request for payment of additional engineering costs of up to \$150,000 (above the first \$150,000 of such costs);

(c) In lieu of payment for engineering costs as described in subsection (b) above, Purchaser may at any time pay to CIWC the Capital Contribution (as defined below) in full. Purchaser may notify CIWC that engineering activities should be discontinued, and Purchaser will not be responsible to pay engineering costs incurred subsequent to twenty-four (24) hours after receipt of such notice;

(d) Purchaser will reimburse CIWC for engineering costs properly due within thirty (30) days after issuance by CIWC of a bill for such costs. Amounts paid to CIWC to cover engineering costs prior to payment of the Capital Contribution are nonrefundable. At such time as the Capital Contribution described below is paid to CIWC, Purchaser shall receive a credit against the Capital Contribution for amounts previously paid to CIWC to cover engineering costs;

(e) If not previously paid in full, Purchaser shall, within fifteen (15) business days after approval of this Agreement by the ICC, pay a capital contribution to CIWC (the "Capital Contribution") in the amount of Two Million Nine Thousand Dollars (\$2,009,000.00), which is to be applied to the cost of the design, procurement, construction and completion of the CIWC Facilities, as described in Exhibit A attached hereto. Purchaser shall not be entitled to a recapture and/or refund of the Capital Contribution due to a difference between the actual cost of the CIWC Facilities and the Capital Contribution or for any other reason, except as otherwise expressly provided in this Agreement or unless a refund is determined (in accordance with Section 19) to be an appropriate right or remedy upon an Event of Default (as defined in Section 15) by CIWC. In the event that the Capital Contribution is not paid in full by Purchaser on or prior to the later of: (i) July 15, 2002; or (ii) 45 days after ICC approval of the Agreement, CIWC shall have the option to terminate this Agreement and may retain any non-refundable amount paid by Purchaser under this Section 5. Notwithstanding the preceding sentence, the Capital Contribution will be deemed "late" for purposes of Section 3(c) if not paid within fifteen (15) business days after approval of the Agreement by the ICC. In the event the Purchaser decides to abandon the Project at any time prior to the date which is three (3) months after the date on which the Capital Contribution is paid to CIWC, Purchaser may terminate this Agreement upon two (2) days' written notice to CIWC. In such event, CIWC's sole and exclusive remedies for such termination shall be retention of that portion of the Capital Contribution which has been expended or committed by CIWC through the date which is five (5) days after the date of termination and retention of other non-refundable amounts paid under the Section 5. Any portion of the Capital Contribution not expended or committed by CIWC through the date which is five (5) days after the date of termination shall be refunded to Purchaser by CIWC within fifteen (15) days of such termination. Subsequent to the date which is three (3) months after the date on which the Capital Contribution is paid to CIWC, the Capital Contribution shall be deemed non-refundable. Except as provided in this Section, neither Party shall have further obligations or liabilities under this Agreement to the other Party upon termination of the Agreement by Purchaser under this Section;

(f) At CIWC's option, the Capital Contribution shall be paid by Purchaser into an interest bearing escrow account, established under such terms and conditions as are acceptable to CIWC in its sole discretion. The principal and interest of the escrow account shall be applied in such manner as CIWC shall determine; and

(g) The following refunds, and no others (except as provided in Section 5(e) above)), shall be due to Purchaser on its Capital Contribution:

(i) one and one-half (1½) times the estimated revenue for a twelve-month period from any new customer directly connected to the Steunkel Road Water Main Interconnect (based on CIWC's estimate of average annual revenue for a similarly situated customer); provided that such customer takes water service for at least one year and such customer commences service within one year after the date upon which water is first turned into the Steunkel Road Water Main Interconnect; and

(ii) in addition, during the first ten (10) years from the date upon which the Capital Contribution is due to be paid to CIWC pursuant to Section 5(a), should any new customer, with a projected minimum rate of flow of 100 GPM or more, attach to the CIWC

system in the area designated as the "Industrial System" on the map attached as Exhibit C to this Agreement, CIWC shall require, subject to approval of the ICC, that each customer make a capital contribution based on its relative usage of the capacity of the Steunkel Road Water Main Interconnect and the Upgrade Booster Station (based on a total cost of such facilities equal to \$984,000). Any such capital contribution received by CIWC from such a customer shall be refunded to Purchaser within thirty (30) days of receipt.

In no event shall the total of refunds rendered pursuant to subsections (i) and (ii) above exceed \$984,000.

6. Continuing Effectiveness. The continued effectiveness of this Agreement is contingent upon receipt on or prior to December 31, 2001 of ICC approval of the Agreement, without change to the provisions of the Agreement; provided, however, that such date may be extended up to and including June 30, 2002, at the option of either party by written notice to the other party. If the approval required by this Section is not obtained on or prior to June 30, 2002, this Agreement shall terminate, unless the Parties mutually agree to continue effectiveness. In the event of termination under this Section, CIWC shall be entitled to retain nonrefundable amounts paid by Purchaser under Section 5 hereof.

7. Rates and Billing. Subject to the provisions of Section 7(d), Purchaser shall pay to CIWC each month the amounts specified below for Project Operations Water delivered to the Point of Delivery (and for CIWC's services that are related thereto).

(a) The rates and charges specified in CIWC's then-effective ICC tariffs (as may be from time to time revised); which tariffs, as of the Effective Date, are set forth in Exhibit D; provided, however, that, if at any time the rate of usage exceeds 800 gpm, the amount paid by Purchaser for usage above 800 gpm will be an additional \$1.25 per thousand gallons of usage. The rates and charges shall include, but not be limited to:

(i) any applicable charge for private fire service for the Project as specified in CIWC's then-effective ICC tariffs; and

(ii) add-on taxes, surcharges, franchise and other fees imposed by CIWC under then-effective ICC tariffs;

(b) The rates and charges paid by Purchaser shall be subject to change from time-to-time as approved by the ICC;

(c) Billing will be monthly, payable within thirty (30) days from the date of receipt of the bill, and for purposes of this Agreement, monthly charges shall be reduced to the nearest penny and volumes shall be rounded to the nearest 1,000 gallons. Billing will be based on usage as indicated by readings of the Project Operations Water Meter(s), which information shall be included in the monthly bill. Any dispute between the Parties relating to any invoices shall be settled pursuant to the Dispute Resolution Section of this Agreement. Purchaser may withhold payment of disputed amounts pending resolution of any such dispute. Any late payment by Purchaser (including late payment(s) of a disputed amount(s) determined to be

properly due and payable) shall be subject to a late payment fee of one and one-half percent (1½) per month;

(d) Purchaser shall have no obligation to accept delivery of or pay for any Project Operations Water available at the Point of Delivery during the period that the water both: (i) does not comply with all applicable federal and state primary drinking water requirements or the peak rate of flow requirements set forth in Section 3(e); and (ii) in Purchaser's reasonable judgment, is not usable in the Project's operations. Notwithstanding the previous sentence, if Purchaser takes any water delivered by CIWC (even if such water does not meet applicable federal and state primary drinking water requirements or the peak rate of flow requirements of Section 3(e)) and such water is used in the Project, Purchaser shall be obligated to pay CIWC for such water according to the terms of this Agreement. In the event that water provided by CIWC both: (i) does not comply with applicable federal and state primary drinking water requirements or the peak rate of flow requirements of Section 3(e); and (ii) cannot be used in the Project's operation as reasonably determined by Purchaser, Purchaser may reject delivery of such non-compliant Project Operations Water. In the event that CIWC fails to supply Project Operations Water that complies with all applicable federal and state primary drinking water requirements or the peak rate of flow requirements of Section 3(e) for more than five (5) consecutive days, CIWC and Purchaser will meet to determine what, if any, corrective action should be taken by CIWC. Except as otherwise expressly provided in Section 9 or Section 12, if CIWC is unable to provide Project Operations Water in compliance with all applicable federal and state primary drinking water requirements or the peak rate of flow requirements of Section 3(e) for a period of five (5) consecutive days or more (and such water is also not usable in the Project's operations, as reasonably determined by Purchaser), Purchaser shall have the rights of the non-defaulting party, set forth in Section 15, subsequent to the expiration of any applicable cure period;

(e) Should Purchaser plan a downsizing, a long-term shutdown, or undertake other actions that will materially reduce the Project's requirements for Project Operations Water, Purchaser shall advise CIWC as soon as such actions are known to Purchaser, and the Parties will cooperate in good faith to address all implications. In the event of a permanent shutdown of the Project, Purchaser shall provide CIWC at least six (6) months notice, and shall be obligated to pay any past due or scheduled payment, along with the billing rates for water and service then in effect for all water used. In its notice of shutdown, Purchaser shall state the effective date of the shutdown. Following that effective date, CIWC will have no obligation to continue service or reserve supply under the terms of this Agreement, and CIWC shall have no obligations and liabilities to Purchaser hereunder. The outstanding payment obligations of Purchaser shall be satisfied within thirty (30) days following such effective date and upon receipt by CIWC of full payment, this Agreement shall be terminated;

(f) All mains, valves, fittings and other appurtenances and materials installed by CIWC in accordance with this Agreement shall be and remain the sole property of CIWC. CIWC shall have the right to further extend its mains from and beyond the terminus of the mains included in the CIWC Facilities. Except as otherwise expressly provided in Section 5(g), Purchaser will not be entitled to any refund on account of any other or further extension or the attachment of any services or hydrants to any other or further extension; and

(g) To the extent that CIWC's Rules, Regulations and Conditions of Service ("Rules and Regulations") that are generally applicable to all customers and specifically applicable to industrial customers (as presently in effect or as hereafter amended) are not inconsistent with the terms of this Agreement, the Rules and Regulations shall apply to the water service provided by CIWC to Purchaser. The provisions of the Rules and Regulations and Schedule of Rates for Water Service presently in effect that do not apply to the service provided by CIWC to Purchaser are listed in Exhibit "E," which is attached hereto.

8. Metering; Risk of Loss; Reporting and Testing; Monitoring; Flow Control Valve. CIWC shall select, install, own, repair, replace and maintain at its sole expense the Project Operations Water Meter(s), which meter will comply with the standards for measuring water promulgated by the American Water Works Association ("AWWA"). The Project Operations Water Meter(s) will be placed on the site of the Project at the location designated on Exhibit F attached hereto. CIWC will allow Purchaser to obtain a split signal from the output of the Project Operations Water Meter(s) in order to transmit flow data (such as gpm, pressure and similar data) to Purchaser's operations center. The unit of measure for the Project Operations Water Meter(s) shall be thousands of gallons of water.

(a) Project Operations Water shall be deemed to be delivered to Purchaser when it is delivered to the Project Operations Water Meter(s) (the "Point of Delivery").

(b) The Project Operations Water Meter(s) shall be tested at least annually in accordance with AWWA testing guidelines by and at the expense of CIWC to determine its accuracy. Notwithstanding the foregoing sentence, either Party may request a test during the interim between such annual meter tests, if it has good cause to believe that a Project Operations Water Meter(s) is not registering accurately. CIWC shall promptly thereafter perform, or cause to be performed, such test. If it is determined by such interim test that the meter is registering accurately, then the Party requesting such interim test shall be responsible for paying the costs associated with such interim test; otherwise, the costs of such test shall be borne by CIWC. If a Project Operations Water Meter(s) is found to be inaccurate by more than plus or minus two percent (2%), CIWC shall repair or replace said meter at CIWC's expense. For the period of such inaccuracy, but in no event to exceed the prior six-month period, the Parties shall attempt for not more than thirty (30) days to agree on the quantity of Project Operations Water, based on past periods of similar operation and any relevant operating data. In the event the Parties are unable to agree on such quantity of Project Operations Water, the Parties shall submit the dispute for resolution in accordance with the Dispute Resolution Section.

(c) CIWC shall provide notice of the date(s) for all such tests to be conducted in accordance with this Section sufficiently in advance thereof to enable Purchaser to be present at and observe such tests. In the event that a representative of Purchaser is not present for any such test for which CIWC has provided timely advance notice, CIWC shall have the right to proceed with such test, and the results thereof shall not be subject to dispute on the basis that Purchaser was not present. CIWC shall provide Purchaser with a copy of the results of each test.

(d) Upon notice to CIWC and with CIWC's approval, such approval not to be unreasonably withheld, Purchaser shall have access to the Project Operations Water Meter(s) for the purpose of conducting its own examinations and inspections.

(e) Purchaser may, at its sole cost and expense, install a flow control valve (i.e., a shut-off valve) at the Point of Delivery, which valve may be used by Purchaser in emergencies or for any other reasonable purpose.

9. *Interruptions and Fluctuations in Service.*

(a) The Parties recognize that CIWC cannot guarantee that there will be no interruptions or fluctuations in the water service or the deliveries of Project Operations Water to the Point of Delivery. In the event of the occurrence of any interruption or material fluctuation, CIWC shall use reasonable efforts to restore water service and the delivery of Project Operations Water to the Point of Delivery as soon as reasonably possible. Interruptions might occur by reason of planned maintenance (with prior notice and approval of Purchaser, such approval not to be unreasonably withheld) or by reason of unanticipated system emergency, failure or malfunction. If interruption or fluctuations occur as the result of a Force Majeure event, CIWC shall comply with the procedures described in Section 12. In the event of any anticipated interruption or material fluctuation in CIWC's provision of Project Operations Water due to planned maintenance, CIWC shall provide reasonable written notice of the same (which notice shall, at a minimum, state the planned commencement and completion of the maintenance, and the expected impact on Purchaser's use).

(b) In the event of a system emergency, failure or malfunction, CIWC shall provide expeditious notice to Purchaser via telephone, to be followed by written notice as soon as practicable.

(c) In the event that CIWC is required or properly authorized by a regulatory body or governmental or municipal authority to limit service to its customers as a result of drought or other similar restrictions not within its control, CIWC shall have the right to impose drought and other similar restrictions on the Project as required by such regulatory body or authority.

(d) When necessary to maintain proper and sufficient pressure in the distribution system for fire protection and other purposes, the Company reserves the right, at all times, to determine, limit and regulate, in a reasonable and nondiscriminatory manner, the maximum amounts of water any customer may use. If service is interrupted, reduced or fluctuates, CIWC will apportion available water to its customers on a pro rata basis, taking into account the typical daily usage of each customer; provided, however, that such apportionment shall not be required if another apportionment method is specified by an applicable law or rule of the ICC.

(e) When water service is restored after an interruption, Purchaser may request, during the time period immediately following restoration of service which is equivalent in duration to the duration of the interruption, that CIWC provide Project Operations Water at a rate of flow which exceeds that specified in Section 3(e). If, and only if, CIWC determines in its sole discretion, that adequate capacity and water supply is available, CIWC shall supply Project Operations Water to Purchaser at a rate of flow which exceeds that specified in Section 3(e) without the payment of the penalty charge specified in Section 7(a). CIWC may at any time

reduce the flow of Project Operations Water delivered to Purchaser to the peak flow rate specified in Section 3(e).

10. Representations, Warranties and Covenants of Purchaser. Purchaser hereby represents and warrants to CIWC as of the date of this Agreement as follows:

(a) Purchaser is a Trust duly organized and validly existing under the laws of the State of Connecticut;

(b) All Trust action required by Purchaser and/or its affiliates to authorize the execution, delivery and performance by Purchaser of this Agreement and the transactions contemplated hereby and thereby has been taken;

(c) This Agreement constitutes a valid, legal and binding obligation of Purchaser enforceable in accordance with the terms hereof or thereof except as such enforceability may be limited by applicable regulatory, bankruptcy, insolvency, reorganization, moratorium or other similar laws or by general equitable principles;

(d) The execution, delivery and performance by Purchaser of this Agreement will not contravene any provision of, or constitute a material default under, any other agreement or instrument to which it is a Party or by which it or its property may be bound or conflict with or contravene any law or governmental regulations applicable to Purchaser;

(e) There are no actions, suits or proceedings pending or, to Purchaser's best knowledge, threatened, against or affecting Purchaser before any court, administrative body or arbitral tribunal that might materially and adversely affect the ability of Purchaser to perform its obligations under this Agreement;

(f) During the term of this Agreement and during the period that water service is available from CIWC that either: (i) meets the requirements of applicable federal and state primary drinking water requirements and the peak rate of flow requirements of Section 3(e); or (ii) in Purchaser's reasonable judgment, is usable in Purchaser's operations, Purchaser shall use CIWC as its sole source of Project Operations Water for the Project, subject to the provisions of Section 4(e); and

(g) Purchaser has sufficient funding in place to pay its Capital Contribution.

11. Representations, Warranties and Covenants of CIWC. CIWC hereby represents and warrants to Purchaser as of the date of this Agreement as follows:

(a) CIWC is a corporation duly organized and validly existing under the laws of the State of Illinois, and has taken all necessary corporate action required to authorize the execution, delivery and performance by CIWC of this Agreement and the transactions contemplated hereby has been taken;

(b) This Agreement constitutes a valid, legal and binding obligation of CIWC enforceable in accordance with the terms hereof or thereof except as such enforceability may be limited by applicable regulatory, bankruptcy, insolvency, reorganization, moratorium or other

similar laws, including, but not limited to the requirement (understood by both Parties) that this Agreement be approved by the ICC;

(c) The execution, delivery and performance by CIWC of this Agreement will not contravene any provision of, or constitute a material default under, any other agreement or instrument to which it is a Party or by which it or its property may be bound or conflict with or contravene any law or governmental regulations applicable to CIWC, except the requirement (understood by both Parties) that this Agreement be approved by the ICC; and

(d) There are no actions, suits or proceedings pending or, to CIWC's best knowledge, threatened, against or affecting CIWC before any court, administrative body or arbitral tribunal that might materially and adversely affect the ability of CIWC to perform its obligations under this Agreement.

12. Force Majeure

(a) Force Majeure means any act, event or condition that is beyond the reasonable control of a Party and is not caused by the negligence, willful misconduct or lack of diligence of such Party. The payment obligations of either Party under this Agreement shall not under any circumstances be excused due to a Force Majeure event.

(b) CIWC shall not be responsible for the inability of CIWC, due to Force Majeure, to perform any of its obligations, except payment obligations, under this Agreement, and failure to perform such obligation due to such inability shall not be an Event of Default. A Force Majeure affecting CIWC includes, but is not limited to, the following (only to the extent such an event is beyond the reasonable control of CIWC and is not caused by the negligence, willful misconduct or lack of due diligence of CIWC): (i) delays or failure in obtaining necessary permits from regulatory agencies; (ii) unanticipated or unusual weather conditions; (iii) acts of God, landslide, lightning, earthquake, fire, explosion, flood, sabotage or similar occurrence, acts of public enemy, war, labor strikes, blockage or insurrection, riot or civil disturbance; (iv) failure of construction equipment or supporting facilities; and (v) regulatory agency directives or delays.

(c) Purchaser shall not be responsible for the inability of Purchaser, due to Force Majeure, to perform any of its obligations, except payment obligations, under this Agreement, and failure to perform such obligations due to such inability shall not be an Event of Default. A Force Majeure affecting Purchaser includes, but is not limited to, the following (only to the extent such an event is beyond the reasonable control of Purchaser and is not caused by the negligence, willful misconduct or lack of due diligence of Purchaser): (i) an act of God, landslide, lightning, earthquake, fire, explosion, flood, sabotage or similar occurrence; acts of a public enemy, war, labor strikes, blockage or insurrection, riot or civil disturbance; (ii) unanticipated or unusual weather conditions; (iii) failure of electric generating equipment, supporting subsystems and/or electric transmission facilities; (iv) failure of construction equipment or supporting facilities; and (v) regulatory agency directives or delays.

(d) If either Party shall be unable to carry out its obligations that are subject to Force Majeure as a result of a Force Majeure event, this Agreement shall remain in effect, but

such obligation shall be suspended for the period necessary as a result of the Force Majeure, provided that:

(i) The non-performing Party gives the other Party prompt written notice describing the particulars of the Force Majeure, including but not limited to the nature of the occurrence and the expected duration of the disability, and continues to furnish timely regular reports with respect thereto during the period of Force Majeure and the disability;

(ii) The suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure;

(iii) The non-performing Party uses its best efforts to remedy its inability to perform; and

(iv) As soon as the non-performing Party is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt notice to the other Party.

(e) If as a result of a Force Majeure event, CIWC is unable to provide water usable in the Project's operation as reasonably determined by Purchaser for a period of ninety (90) consecutive days (and such water also does not meet state and federal primary drinking water requirements or the peak rate of flow requirements set forth in Section 3(e) for such period), the Purchaser may thereafter terminate this Agreement by written notice to CIWC and seek an alternative water supply; provided, however, that Purchaser shall not be entitled to any other relief in relation to such Force Majeure event, including, but not limited to, money damages, equitable relief or refunds of any amount paid to CIWC under Section 5 or 7. If this Agreement is so terminated, the parties hereto shall have no further rights, duties or obligations hereunder (except as to any obligations or liabilities which accrued or arose prior to the date of termination.)

13. Assignment. This Agreement shall inure to the benefit of and shall be binding upon CIWC and Purchaser and their respective successors and permitted assigns. Either Party without the other Party's consent, but upon five (5) days' prior written notice to the other Party, may assign, convey, pledge, transfer or otherwise encumber its rights and interests in this Agreement and any or all of its rights, interests and obligations arising under this Agreement to any affiliate and, in the case of Purchaser, to PPL Large Scale Distributed Generation II ("PPL"), the operator of the Project; or to any responsible entity that is a successor in interest to the Party with respect to the Project, or to any lender or its designee and PPL may assign, convey, pledge, transfer or otherwise encumber its rights and interest in this Agreement and any or all of its rights, interest and obligations arising under this Agreement to any affiliate or any responsible entity that is a successor in interest to PPL with respect to the Project or to any lender or lessor or their designee; provided that any such written notice shall: (a) specifically identify the Party responsible for the obligations hereunder following such assignment or transfer; and (b) specifically represent that the assignment or transfer is not being made to impede the rights of the other Party hereunder. The execution of any documents in connection with or related to the financing or re-financing of the Project and the exercise of rights, powers, privileges and remedies by the lenders thereunder shall not be held as a violation of any of the terms and

conditions hereof (and is hereby expressly permitted by CIWC), or as an assumption by the lenders of the obligation of this Agreement. Except as to a collateral assignment by Purchaser to any of its lenders, any transferee or assignee of Purchaser's interests, rights and obligations under this Agreement shall have substantial experience in the operation of power plants similar to the Project or shall have entered into an operating contract with a third party who has substantial experience in the operation of power plants similar to the Project. Any transferee or assignee of CIWC's interests, rights and obligations under this Agreement shall have substantial experience in the operations of utility-grade water pipeline and delivery systems and shall be duly recognized by the ICC as having the authority to own and operate such systems in the State of Illinois. Except as provided above, no assignment of this Agreement or any Party's rights, interests or obligations hereunder may be made without the other Party's consent, which shall not be unreasonably withheld, delayed or conditioned; provided that any such transfer shall not impede the rights of the other Party hereunder.

14. Further Assurances.

(a) Each of the parties hereto, without additional compensation, will cooperate with the other and execute and deliver to the other such instruments and documents and take such actions as may be reasonably requested from time to time by the other party hereto as necessary to carry out, evidence and confirm the purposes of this Agreement and, provided there is not an Event of Default, to continue the effectiveness of this Agreement.

(b) At Purchaser's request, and following Purchaser's written agreement to reimburse CIWC for all reasonable fees and disbursements, CIWC shall use its best efforts to arrange for an outside law firm to provide to Purchaser and its lenders an opinion of counsel, subject to the customary exceptions, limitations and qualifications, certifying the due authorization, execution and delivery, and enforceability of this Agreement as against CIWC and covering such other matters as are customary and reasonable under the circumstances. As a condition to the issuance of said opinion letter, Purchaser shall provide, at its expense, a similar opinion letter, subject to the customary exceptions, limitations and qualifications, regarding the due authorization, execution and delivery, and enforceability of this Agreement as against Purchaser. In connection with the financing or re-financing of the Project, at Purchaser's request, CIWC shall provide a consent to assignment to the lenders providing such financing or refinancing covering such matters as are customary for non-recourse project financing of projects similar to the Project; provided, however, that CIWC shall not be required to agree to any terms that materially and adversely affect its rights or obligations under this Agreement.

15. Default and Cure.

(a) If either CIWC or Purchaser shall materially breach any of the representations, warranties or covenants set forth in this Agreement or fail to observe or perform any of its obligations hereunder materially affecting the non-defaulting Party's rights under this Agreement, such breach or failure shall constitute an "Event of Default"; provided, however, that it shall not be an Event of Default unless and until the non-defaulting Party has given the defaulting Party written notice specifying the nature of such breach or failure and, within thirty (30) days (if Purchaser is the defaulting Party) or sixty (60) days (if CIWC is the defaulting Party) after receipt of such notice, the defaulting Party has failed to cure such breach or failure.

Furthermore, in the event that such cure cannot be reasonably completed within the applicable period described in the preceding sentence (the "Applicable Cure Period"), then the Applicable Cure Period will be extended up to an additional thirty (30) days, so long as the defaulting Party diligently takes steps to cure such breach or failure. At the end of the Applicable Cure Period, as extended if applicable, the Parties shall designate senior executives to resolve such Event of Default in accordance with Section 19. If at the conclusion of expedited discussions between the senior executives, the Event of Default is not resolved to the mutual satisfaction of both Parties and CIWC is the defaulting Party, then Purchaser shall be entitled to terminate this Agreement and seek appropriate remedies consistent with this Agreement and available at law and in equity. If at the conclusion of expedited discussions between the senior executives, the Event of Default is not resolved to the mutual satisfaction of both Parties and Purchaser is the defaulting Party, then CIWC shall give written notice of such Event of Default to State Street Bank and Trust Company of Connecticut, National Association ("State Street") and to First Union National Bank ("Administrative Agent") at the addresses specified below. If such Event of Default is not cured by the Administrative Agent or Purchaser within thirty (30) days following receipt of such notice, CIWC shall be entitled to terminate this Agreement and seek appropriate remedies consistent with this Agreement and available at law and in equity.

(b) With respect to a claimed Event of Default, CIWC also acknowledges and agrees that upon the payment by the Administrative Agent and/or its successor or designee of any outstanding amounts then due and payable by Purchaser to CIWC under the Agreement, and provided that the Administrative Agent has given CIWC a notice that it will exercise its remedies pursuant to its financing arrangement relating to the Project, the Administrative Agent shall be entitled to sell or transfer all of the rights of Purchaser and PPL under the Agreement to one or more purchaser(s) or assignee(s), provided such purchaser or assignee satisfies any conditions herein and is reasonably acceptable to CIWC; provided, however, CIWC agrees not to charge any fee or other amount in connection with any such assignment or purchase.

Notices to be given pursuant to this paragraph shall be delivered to:

To State Street:

State Street Bank and Trust Company of Connecticut
National Association
225 Asylum Street, Goodwin Square
Hartford, CT 06103
Attention: Corporate Trust Department
Telephone: (860) 244-1800
Facsimile: (860) 244-1889

with a copy to:

State Street Bank and Trust Company
2 Avenue de Lafayette
Boston, MA 02111
Attention: Corporate Trust Department
Telephone: (617) 662-1802
Facsimile: (617) 662-1465

To Administrative Agent:

First Union National Bank
Structured Products Loan Administration
201 S. College Street (CP-7)
Charlotte, North Carolina 28288
Attention: Mark Mullis
Telephone: (704) 374-6981
Facsimile: (704) 383-7989

16. *Waivers of Consequential Damages and Property Loss and Damage.*

Notwithstanding anything to the contrary contained in this Agreement, each Party shall not, in any event, be liable to the other Party for any indirect, incidental, punitive, special or consequential damages arising out of, or related to, a breach of this Agreement, whether any such damages arise out of contract, tort, strict liability or otherwise and the Parties waive all claims against each other (and against each other's affiliates, agents and representatives) for loss or damage to any of their respective property.

17. *Waivers.* The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement, shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

18. *Confidentiality.* In the course of the performance of their obligations under this Agreement, the Parties may share confidential information or proprietary information. The receiving Party of any information designated by the disclosing party as confidential or

proprietary shall not disclose such information to third parties (except for such Party's lenders, employees, advisors and attorneys) unless required by court order or unless such information enters the public domain other than at the instigation of the receiving Party. The rights and obligations of this Section shall survive the termination of this Agreement and remain in effect for a period of two (2) years following such termination.

19. Dispute Resolution. In the event of a dispute, disagreement or claim arising out of or concerning this Agreement, the Parties shall negotiate in good faith to resolve such dispute, disagreement or claim using senior executives with the authority to settle the dispute and who do not have direct responsibility for the administration of this Agreement. When a Party believes that there is a dispute, that Party will give the other Party written notice of the dispute. Within twenty (20) days after receipt of such notice, the receiving Party shall respond to the matters set forth in the dispute. The response shall include a statement of position and a summary of the evidence and arguments supporting the position. Within ten (10) days after receiving the response to a notice of dispute, the senior executives of both Parties shall meet at a mutually acceptable time and place to attempt to resolve the dispute. If such negotiations fail to resolve the matter to the satisfaction of both Parties within forty (40) days after notice of the dispute has been given, then either Party shall be entitled to avail themselves of any rights or remedies to which they are entitled at law or in equity. Notwithstanding the foregoing, for disputes relating to the reasonableness of the rate, adequacy of service or other matters within the jurisdiction of the ICC, the dispute shall be submitted to the ICC.

20. Severability. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby; unless such holding substantially alters the financial effect of the Agreement on either Party in that Party's reasonable judgment.

21. Notice. Any notices, except those relating to billing, required or permitted to be given hereunder shall be effective only if given in writing and delivered personally to an officer or authorized representative of the Party being notified, or if sent by registered or certified mail return receipt requested, or by facsimile, as follows:

If to CIWC:

Consumers Illinois Water Company
1000 S. Schuyler Avenue
Kankakee, Illinois 60901
Fax: 815-935-8809

Attention: Consumers Illinois Water Company, c/o Terry Rakocy, President.
With a copy to: Tom Bunosky, V.P. Kankakee/Will County Division

If to PURCHASER:

Large Scale Distributed
Generation II Statutory Trust
c/o PPL Large Scale
Distributed Generation II, LLC
11350 Random Hill Road
Fairfax, Virginia 20030

Attention: Robert Burke, Esq.

Any notice given hereunder shall be deemed received three (3) days after mailing and otherwise upon delivery, or attempted delivery, if delivered in person, or upon successful transmission of a facsimile (as evidenced by a transmission report).

22. *Entire Agreement.* This Agreement contains the entire Agreement between the Parties hereto respecting the subject of this Agreement. There are no other terms, conditions, promises or understandings, express or implied, concerning the activities and arrangements contemplated by this Agreement. No change, alteration, amendment, modification or waiver of any of the terms of this Agreement shall be effective unless set forth in writing and signed by the Parties.

23. *Counterparts.* This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument.

24. *Governing Law.* The laws of the State of Illinois, including, but not limited to, ICC laws and regulations and environmental laws and regulations, shall govern this Agreement.

25. *Status of PPL.* The Parties agree, until CIWC receives notice from the Administrative Agent to the contrary, that (i) any act that may be taken by Purchaser (including delivering requests, instructions, directions, agreements, demands, acceptances, consents and notices, including participating in the resolution of disputes in accordance with Section 19 of this Agreement or otherwise), any obligation to be performed by Purchaser, any right that may be exercised by Purchaser, any determination that may be made by Purchaser, any option that may

be selected by Purchaser, in each case as provided in this Agreement, may be taken, performed, exercised, determined or selected by PPL (other than the obligation to make payments under this Agreement) on behalf of Purchaser, as if by Purchaser itself and that CIWC will recognize any such action by PPL (in its capacity as agent) as that of Purchaser. CIWC hereby agrees and acknowledges that none of State Street, the Administrative Agent, any note holder or certificate holder of the Purchaser (the "Participants"), nor any of their respective successors or assigns shall have any liability hereunder or any obligation to perform any obligation or pay any amounts or otherwise become liable for any obligation or liability of Purchaser or PPL under this Agreement, including as a result of a breach or failure of any obligation, representation, warranty or covenant made or undertaken by Purchaser or PPL hereunder, and that any claim against or liability of Purchaser for payment under this Agreement shall be satisfied solely out of the assets of the Purchaser which are part of the Project, including any improvements, equipment and constructions materials related to the Project (the "Trust Assets"); provided, however, that State Street and Administrative Agent shall each be liable in their individual capacity for their own respective willful misconduct or gross negligence (or negligence in the handling of funds). Without limitation of the foregoing, CIWC agrees and acknowledges that no Participant shall have any obligation to CIWC or any other party hereunder to fund or otherwise pay any amount of money to CIWC or any person.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date hereinabove first written.

ATTEST:

LARGE SCALE DISTRIBUTED GENERATION II
STATUTORY TRUST

By: Robert W. Burke, Jr.
Name: Robert W. Burke, Jr.
Title: Vice President and Chief Counsel

By: PPL Large Scale Distributed
Generation II, LLC,
as agent
Ralph D. Daley
Name: Ralph D. Daley
Title: Vice President

ATTEST:

CONSUMERS ILLINOIS WATER COMPANY

By: Jane Zinanni
Name: JANE ZINANNI
Title: SECRETARY

By: Thomas J. Bursky
Name: THOMAS J. BURSKEY
Title: V.P. / GEN MGR

(SEAL)